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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 001180

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [BG](#)

SUBJECT: PM TO WORLD: DON'T TREAD ON US

Classified By: P/E Counselor D.C. McCullough, reason para 1.4 d.

1. (C) Summary. PM Zia, speaking in parliament, warned "foreigners categorically that Bangladesh will not be run by any diktats or orders of any foreign force." Her assertiveness reflects the BDG view that the geographical breadth of Bangladesh's economic and political ties insulates it from international pressure. The BDG is sensitive to its image and in particular the optics of its relationship with the U.S., but such leverage requires deft handling and is limited to issues that don't directly affect the ruling BNP's core interest, which is retaining power. End Summary.

Zia Lashes Out

2. (SBU) On March 15, Prime Minister Begum Khaleda Zia, in her valedictory address for the closing parliamentary session, warned multilateral agencies and foreign countries against interfering in Bangladesh's domestic affairs. "I want to tell them firmly that we won't put up with such interference. We don't care for anyone's browbeating and dictation....We'll build the nation with the help of 28 crore hands of its 14 crore people." She specifically excluded unnamed Islamic organizations from this group, denied there is Islamic extremism in Bangladesh, characterized the recent arrests of several militants as a law and order matter, denounced the Awami League (AL) for boycotting her speech, and accused the AL of conspiring with foreign agencies to oust her government and project Bangladesh as a failed state.

3. (SBU) Her speech followed last week's criticism by Finance Minister Saifur Rahman of the World Bank meeting on Bangladesh in Washington, and allegations that foreign diplomats here are interfering in domestic affairs.

The BDG Perspective: No Need to Change Direction

4. (C) The handful of BNP leaders around the PM who make the big decisions have a narrow but to them logical outlook:

-- Their top priority is retaining power so they can make more money and keep at bay the opposition who they believe, with some reason, would punish them if it returned to office.

-- The next election, in early 2007, should be manageable for the BNP if it can preserve its alliance with Jamaat Islami and prevent significant defections from other parties to the AL. Thus, its focus should remain on back-room political party deal-making, and not on constituency politics as we understand them. Civil society is strong but is generally oriented to development, not politics, and it therefore lacks the energy or the interest to challenge the BNP frontally.

-- The AL and the rest of the opposition have repeatedly shown their inability to exploit public dissatisfaction with BDG performance or sympathy for the AL in the wake of political violence against it. The AL has failed to find an issue, like military dictatorship in 1990, to rally the masses.

-- Although Bangladesh is a two-party system, political allegiance is not necessarily zero sum. The BNP's three coalition partners are all unhappy with their role in the coalition but would think at least twice before joining the AL, which is why Ershad's Jatiya party and the Islamist IOJ have spurned, at least for now, recent AL feelers. Threatening Ershad with a return to jail on pending corruption charges is effective leverage to keep the opposition divided.

5. (C) Economically, the BNP believes its macro-economic policies are working and that five percent annual growth is respectable. Partly because the current system is dysfunctional, corrupt, and malleable, it works well for them, and they have no interest in changing it. In addition, BNP and many Bangladeshi businessmen truly believe that alarmist foreign press reporting stems from Indian and AL manipulation. The BNP's indulgence of Islamists is grounded in their confidence that they can control, and use, them better inside the coalition than outside.

6. (C) With most bilateral and multilateral aid going to non-governmental sources in Bangladesh, an aid suspension would have limited political impact on the BDG. In fact, the

BDG would likely play the nationalist card by asserting that the suspension was the result of an Indian and AL conspiracy to hurt Bangladesh.

Friends with Deep Pockets

17. (C) The BNP believes that the international community lacks the motivation, the ability, and the will to squeeze the BDG on governance. The geographical breadth of its political and economic ties shields Bangladesh from concerted foreign pressure, provided there is no dramatic rocking of the boat. The BDG knows that a few countries, like the U.S. and the UK, might try to press it on governance, but that Japan, Korea, China, Malaysia, and some EU countries would demur. China remains an important partner, as we'll see when the Chinese premier visits here in April, and Japan's priority is political continuity to ensure sanctity of contracts.

18. (C) To refute allegations that Bangladesh is on the precipice, the BDG notes the sharp up-tick since last year in foreign investor interest in Bangladesh. Major projects include:

-- In October, Egypt's Orascom bought Sheba telecom for \$50 million in cash and \$10 million in debt repayment. BanglaLink, Orascom's wholly-owned subsidiary, launched mobile service in nine cities on February 14 and is supposed to go nationwide by the end of the year. BanglaLink is expected to invest \$150 million this year and another \$100-150 million in 2006.

-- Tata's \$2 billion steel and gas project, after a hiccup during the SAARC summit postponement, seems to be back on track with the target of a December ground-breaking.

-- The UAE's Dhahi Group last week turned in MOU's to the Board of Investment (BOI) totaling \$1 billion, partly in telecoms.

-- This week, a Saudi group called "High Tech International, Inc," led by a former Saudi Labor Minister, finished initial discussions with BOI on building a \$2 billion, 200,000 bpd refinery in Bangladesh.

-- Also this week, Saudi billionaire investor Prince Alwaleed Abdul Aziz made a high-profile visit to Dhaka, expressing interest in setting up world-class hotels in Dhaka and Chittagong. A team of experts is reportedly due next month to follow up.

-- The U.S. firm CMG is aggressively lobbying the BDG for a \$300 million, 500 MW power project in Megnabhatt.

Potential USG Leverage

9.(C) Played selectively and deftly, the "shame" card can be effective as we saw in mobilizing the BDG to fight trafficking in persons. The recent arrest of several Islamist militants and local BNP officials charged with Shah Kibria's assassination also reflects sensitivity to their international and domestic image. The "shame" card could probably be used to create more political space in the upcoming elections.

10. (C) Given the importance of the U.S. to Bangladesh as a market, an emigration destination, and as potential restraint on India in times of crisis, all Bangladeshi governments want good bilateral optics with the U.S. Ending Bangladeshi peacekeeping opportunities would be a major political embarrassment for the BDG and a financial blow to the military as an institution and as individuals. More severe actions, however, like visa sanctions or a general freeze on bilateral engagement, would encourage the BDG to expand its relations with the Middle East, China, and North Korea.

THOMAS